

HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2008 OF THE CONDITION AND AFFAIRS OF THE

Priority Health

| | 383 , 3383 nt Period) (Prior Perio | | Code <u>95561</u> I | Employer's ID Number | 38-2715520 |
|---|--|--|---|---|--|
| Organized under the Laws o | , | , | _, State of Domicile or Por | t of EntryM | ichigan |
| Country of Domicile | | | United States | | |
| Licensed as business type: | Life, Accident & Health [|] Property/Ca | asualty [] Dental Sei | rvice Corporation [] | |
| | Vision Service Corporation | on [] Other [] | Health Ma | intenance Organization [X | .] |
| | Hospital, Medical & Dent | al Service or Indemnity [| s HMO, F | ederally Qualified? Yes [|] No [X] |
| Incorporated/Organized | 03/07/1986 | S Cor | mmenced Business | 10/15/1986 | 3 |
| Statutory Home Office | 1231 F: | ast Beltline NE | | Grand Rapids, MI 49525- | 4501 |
| Statutory Florite Office | | et and Number) | , | (City or Town, State and Zip Co | |
| Main Administrative Office | | | 1231 East Beltline NE | | |
| Grand R | apids, MI 49525-4501 | | (Street and Number) | 616-942-0954 | |
| | Town, State and Zip Code) | | (Area C | Code) (Telephone Number) | |
| Mail Address | 1231 East Beltline | | | and Rapids, MI 49525-4501 | |
| Primary Location of Books ar | (| J. BOX) | 1231 East Be | City or Town, State and Zip Code) | |
| Primary Location of Books at | a Records | | (Street and No | | |
| | apids, MI 49525-4501 | | ` | 616-464-8926 | |
| • | Town, State and Zip Code) | | | Code) (Telephone Number) | |
| Internet Website Address | | | www.priority-health.com | | |
| Statutory Statement Contact | | Shoemaker Name) | (Are | 616-464-8926 ea Code) (Telephone Number) (Exte | ension) |
| kristy.shoem | naker@priority-health.com (E-mail Address) | | | 616-942-7916 (FAX Number) | |
| Name Kimberly K Horn | , President / Chie | OFFICE Title ef Executive Officer | Name Gregory A Hawkins | | Title lief Financial Office |
| Judith W Hooyenga | ,Se | cretary | | | |
| | | OTHER OF | FICERS | | |
| | r | DIRECTORS OR | TDIIQTEEQ | | |
| Dennis Aloia | | H Bethune | Richard C Breon | Gayle | n J Byker |
| Karl D Deck | | R Fojtasek | Michael P Freed | | Kotecki |
| Michael I Love Kathleen S Ponitz | | B Lundeen ı B Reznicek | Christina MacInnes Robert W Roth | | M Millermaier G Schwaderer |
| Timothy V Smith | | y F Snell | Dale M Sowders | | J Stephanak |
| Jody D Vanderwel | Douglas | s A Zwemer | | | |
| State of | Michigan | | | | |
| County of | Kent | SS | | | |
| The officers of this reporting entit above, all of the herein described this statement, together with relation the condition and affairs of the completed in accordance with the that state rules or regulations requespectively. Furthermore, the soc exact copy (except for formatting to the enclosed statement. | assets were the absolute projed exhibits, schedules and exp said reporting entity as of the NAIC Annual Statement Instruction uire differences in reporting not ope of this attestation by the d | perty of the said reporting en planations therein contained, e reporting period stated aboutions and Accounting Pract to related to accounting pract lescribed officers also include | ntity, free and clear from any lie, annexed or referred to is a ful ve, and of its income and dedi- tices and Procedures manual of ices and procedures, according es the related corresponding e | ens or claims thereon, except as ill and true statement of all the a uctions therefrom for the perioc except to the extent that: (1) sta g to the best of their information electronic filing with the NAIC, v | s herein stated, and the assets and liabilities and lended, and have been ate law may differ; or, (2 n, knowledge and belie when required, that is a |
| Kimberly K President / Chief Exe | | Gregory A F Treasurer / Chief F | Hawkins inancial Officer | Judith W Hoo Secreta | |
| Subscribed and sworn to be day of | | | b. If no, 1. State 2. Date | the amendment number filed per of pages attached | Yes [X] No [|
| Mary Bierlein Document Coordinator 11/18/2012 | | | | | |

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|-------------|--------------|--------------|--------------|-------------|------------|
| Name of Debtor | 1 - 30 Days | 31 - 60 Days | 61 - 90 Days | Over 90 Days | Nonadmitted | Admitted |
| 1199999 Total individuals | | | | | | |
| Group subscribers: | | | | | | |
| MI Public School Employees Retirees | 2,363,428 | 71,035 | 0 L | 0 | 0 | 2,434,463 |
| State of Michigan | | 47 ,411 | 0 | 85,699 | | 2,200,093 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 0299997 Group subscriber subtotal | 4,516,110 | 118,446 | 0 | 85,699 | 85,699 | 4,634,55 |
| 0299998 Premiums due and unpaid not individually listed | 6,387,135 | 543,845 | 0 | 104,037 | 104,037 | 6,930,98 |
| 0299999 Total group | | 662,291 | 0 | 189,736 | 189,736 | 11,565,53 |
| 0399999 Premiums due and unpaid from Medicare entities | | 106,395 | 106,395 | 353, 158 | 0 | |
| 0499999 Premiums due and unpaid from Medicaid entities | , | , i | · | , | | |
| 0599999 Accident and health premiums due and unpaid (Page 2, Line 13) | 11,009,640 | 768,686 | 106,395 | 542,894 | 189,736 | 12,237,880 |

3

EXHIBIT 3 - HEALTH CARE RECEIVABLES

| EXHIBIT O-HEALITI OAKE RECEIVABLEO | | | | | | | | | | |
|---|-------------|--------------|---|--------------|-------------|-----------|--|--|--|--|
| . 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | | |
| Name of Debtor | 1 - 30 Days | 31 - 60 Days | 61 - 90 Days | Over 90 Days | Nonadmitted | Admitted | | | | |
| Individually Listed Receivables: Express Scripts | | | | | | | | | | |
| Express Scripts. | 1,106,145 | 1,106,145 | 1,106,145 | 0 | 0 | 3,318,435 | | | | |
| 0199998 - Aggregate of amounts not individually listed above. | 423,951 | 423,951 | 423,951 | 206,424 | 206,424 | 1,271,853 | | | | |
| 0199999 – Totals – Pharmaceutical rebate receivables | 1,530,096 | 1,530,096 | 1,530,096 | 206,424 | 206,424 | 4,590,288 | | | | |
| 0299998 - Aggregate of amounts not individually listed above. | 170,472 | 191,614 | 124,646 | 0 | 0 | 486,731 | | | | |
| 0299999 - Totals - Claim Overpayment Receivables | 170,472 | 191,614 | 124,646 | | | 486,731 | | | | |
| 0699998 - Aggregate of amounts not individually listed above. | 396,975 | 20,016 | 4,436 | 9,495 | 9,495 | 421,426 | | | | |
| 0699999 - Totals - Other Receivables | 396,975 | 20,016 | 4,436 | 9,495 | 9.495 | 421,426 | | | | |
| | | | , | , | , , , , , | , | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | 4 | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| 0799999 Gross health care receivables | 2,097,543 | 1,741,726 | 1,659,178 | 215,919 | 215,919 | 5,498,445 | | | | |

EXHIBIT 4 – CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

| | Aging Analysis of Unpaid | Claims | | | | |
|---|--------------------------|--------------|--------------|---------------|---------------|-------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Account | 1 - 30 Days | 31 - 60 Days | 61 - 90 Days | 91 - 120 Days | Over 120 Days | Total |
| Claims Unpaid (Reported) | | | | | | |
| | | | | | | ····· |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | . |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | . | | | | | ļ |
| | | | | | | |
| | | | | | | |
| 0199999 Individually listed claims unpaid. | n | Λ | Λ | Λ | Λ | 1 |
| 0.799999 Aggregate accounts not individually listed-uncovered | 2,448,820 | | | | | 2,448,820 |
| 0299999 Aggregate accounts not individually listed-uncovered | 23,754,582 | | | | | 23,754,582 |
| 0499999 Subtotals | 26,203,402 | 0 | 0 | 0 | 0 | 26,203,402 |
| 0599999 Unreported claims and other claim reserves | <u> </u> | | | | | 86,229,739 |
| 0699999 Total amounts withheld | | | | | | 36,977 |
| 0799999 Total claims unpaid | | | | | | 112,470,118 |
| 0899999 Accrued medical incentive pool and bonus amounts | · | · | · | · | · | 19,119,090 |

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

| | 2 | 3 | 4 | 5 | 6 | Adm | itted |
|--|-------------|--------------|--------------|--------------|-------------|-----------|-------------|
| | | - | | | - | 7 | 8 |
| Name of Affiliate | 1 - 30 Days | 31 - 60 Days | 61 - 90 Days | Over 90 Days | Nonadmitted | Current | Non-Current |
| Individually Listed Receivables: Priority Health Managed Benefits, Inc | 1,310,884 | 0 | 0 | 0 | 0 | 1,310,884 | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| 0199999 Individually listed receivables | 1,310,884 | 0 | 0 | 0 | 0 | 1,310,884 | |
| 0299999 Receivables not individually listed | 119,611 | 0 | 0 | 0 | 0 | 119,611 | (|
| 0399999 Total gross amounts receivable | 1,430,495 | 0 | 0 | 0 | 0 | 1,430,495 | (|

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

| 1 | 2 | 3 | 4 | 5 |
|--|----------------|------------|------------|-------------|
| Affiliate | Description | Amount | Current | Non-Current |
| Spectrum Systems Priority Health Insurance Company Priority Health Managed Benefits, Inc | Line of credit | 10,000,000 | 0 | 10,000,000 |
| Priority Health Insurance Company | Premium | 4,999,652 | 4,999,652 | 0 |
| Priority Health Managed Benefits, Inc | Trade | 3,242,861 | 3,242,861 | 0 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| 0199999 Individually listed payables | | 18,242,513 | 8,242,513 | 10,000,000 |
| 0199999 Individually listed payables 0299999 Payables not individually listed | | 4,550,887 | 4,550,887 | 0 |
| 0399999 Total gross payables | | 22,793,400 | 12,793,400 | 10,000,000 |

Ŋ

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Priority Health

EXHIBIT 7 PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

| Payment Method | 1 Direct Medical Expense Payment | 2 Column 1 as a % of Total Payments | 3 Total Members Covered | 4 Column 3 as a % of Total Members | 5 Column 1 Expenses Paid to Affiliated Providers | 6 Column 1 Expenses Paid to Non-Affiliated Providers |
|--|---|--|----------------------------------|---|---|---|
| Capitation Payments: 1. Medical groups 2. Intermediaries | 29,730,794 | 2.6 | | 0.0 | 29,730,794 | |
| 3. All other providers 4. Total capitation payments | | 2.3 | 0 | 0.0 | 25,895,134 55,625,928 | 0 |
| Other Payments: 5. Fee-for-service | 94,016,765 | 8.4 | xxx | XXX | 55,897 | 93,960,868 |
| Contractual fee payments Bonus/withhold arrangements - fee-for-service | | | XXX | XXX | 514,826,642 | 28,799,664 |
| 8. Bonus/withhold arrangements - contractual fee payments 9. Non-contingent salaries 10. Aggregate cost arrangements | | 38.3 | XXXXXXXXX | XXX XXX XXX | 425,788,745 | 5,163,629 |
| 11. All other payments 12. Total other payments | 1,068,595,445 | 0.0 0.0 95.1 | XXX XXX | XXX | 940,671,284 | 127,924,161 |
| 13. Total (Line 4 plus Line 12) | 1,124,221,373 | 100 % | XXX | XXX | 996, 297, 212 | 127,924,161 |

EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

| 1 | 2 | 3 | 4 Average Monthly Capitation | 5 Intermediary's | 6 Intermediary's Authorized |
|---------------|----------------------|-----------------|---------------------------------------|--|-----------------------------------|
| NAIC Code | Name of Intermediary | Capitation Paid | Capitation | Intermediary's Total Adjusted Capital | Control Level RBC |
| | | | | | |
| | | | | | |
| | | | | | |
| | NONE | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 999999 Totals | | | XXX | XXX | XXX |

EXHIBIT 8 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED

| | 1 | 2 | 3 | 4 | 5 | 6 |
|---|------------|--------------|-----------------------------|---------------------------------|------------------------|---------------------|
| Description | Cost | Improvements | Accumulated Depreciation | Book Value Less Encumbrances | Assets Not Admitted | Net Admitted Assets |
| Administrative furniture and equipment | 2,282,777 | 0 | (1,958,340) | 324,437 | 324,437 | 0 |
| Medical furniture, equipment and fixtures | | | | | | |
| Pharmaceuticals and surgical supplies | | | | | | |
| Durable medical equipment | | | | | | |
| Other property and equipment | 23,013,585 | 0 | (10,410,260) | 12,603,325 | 12,603,325 | 0 |
| 6. Total | 25,296,362 | 0 | (12,368,600) | 12,927,762 | 12,927,762 | 0 |



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION Priority Health (LOCATION) **DURING THE YEAR 2008** NAIC Company Code 95561 NAIC Group Code BUSINESS IN THE STATE OF Michigan Comprehensive (Hospital & Medical) 5 8 10 Federal Employees Medicare Vision Dental Health Benefit Title XVIII Title XIX Total Individual Group Supplement Plan Medicare Medicaid Other Total Members at end of: 398.183 1.090 389.365 7.728 1. Prior Year .359,422 .349.085 8.742 .1.595 2 First Quarter .355.224 .1.591 .344.584 .9.049 3 Second Quarter .358,088 .347,095 9.433 ..1,560 4. Third Quarter 359.715 1.513 348.434 9.768 Current Year 4,301,204 18,809 4,172,853 109,542 6 Current Year Member Months **Total Member Ambulatory Encounters for Year:** .3,343,166 ..14,051 ..3, 159, 450 .169,665 7. Physician 414.600 395,128 17,983 1,489 8. Non-Physician 15,540 3,554,578 9. Total 3,757,766 187.648 95,959 79.703 10. Hospital Patient Days Incurred 346 15.910 11. Number of Inpatient Admissions 22.379 20,171 2,120 ..1,257,663,193 .3,570,876 ..1, 176, 512, 355 ...77,579,962 12. Health Premiums Written (b). 13. Life Premiums Direct. 14. Property/Casualty Premiums Written .1,256,590,502 3.567.657 1.175.451.646 ...77,571,199 15. Health Premiums Earned 16. Property/Casualty Premiums Earned .1,124,221,373 .5.837.815 ..1.055.181.479 17. Amount Paid for Provision of Health Care Services .63.202.079 5.906.769 1.066.402.500 66,526,316 1.138.835.585 18. Amount Incurred for Provision of Health Care Services

(a) For health business: number of persons insured under PPO managed care products _____ and number of persons under indemnity only products _____ 0

(b) For health premiums written: amount of Medicare Title XVIII exempt from state taxes of fees \$ 77,579,962



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

 REPORT FOR: 1. CORPORATION
 Priority Health
 2.
 (LOCATION)

 NAIC Group Code
 3383
 BUSINESS IN THE STATE OF Consolidated
 DURING THE YEAR 2008
 NAIC Company Code
 95561

| | | | | | | | | (LOCATION) | | |
|---|--------------------|-----------------------|------------------|------------------------|----------------|----------------|--|-------------------------|-----------------------|-------|
| AIC Group Code 3383 BUSINESS IN THE STA | TE OF Consolidated | | | DURING THE YEAR 2 | 2008 | | | NA | IC Company Code | 95561 |
| | 1 | Compre (Hospital & | & Medical) | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | Total | 2 Individual | 3 Group | Medicare Supplement | Vision Only | Dental Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other |
| Total Members at end of: | | | | | | | | | | |
| 1. Prior Year | 398,183 | 1,090 | 389,365 | 0 | 0 | 0 | 0 | 7 ,728 | 0 | |
| 2 First Quarter | 359,422 | 1 , 595 | 349,085 | 0 | 0 | 0 | 0 | 8,742 | 0 | |
| 3 Second Quarter | 355,224 | 1 ,591 | 344,584 | 0 | 0 | 0 | 0 | 9,049 | 0 | |
| 4. Third Quarter | 358,088 | 1,560 | 347,095 | 0 | 0 | 0 | 0 | 9,433 | 0 | |
| 5. Current Year | 359,715 | 1,513 | 348,434 | 0 | 0 | 0 | 0 | 9,768 | 0 | |
| 6 Current Year Member Months | 4,301,204 | 18,809 | 4,172,853 | 0 | 0 | 0 | 0 | 109,542 | 0 | |
| otal Member Ambulatory Encounters for Year: | | | | | | | | | | |
| 7. Physician | 3,343,166 | 14,051 | 3,159,450 | 0 | 0 | 0 | 0 | 169,665 | 0 | |
| 8. Non-Physician | 414,600 | 1,489 | 395,128 | 0 | 0 | 0 | 0 | 17,983 | 0 | |
| 9. Total | 3,757,766 | 15,540 | 3,554,578 | 0 | 0 | 0 | 0 | 187,648 | 0 | |
| 10. Hospital Patient Days Incurred | 95,959 | 346 | 79,703 | 0 | 0 | 0 | 0 | 15,910 | 0 | |
| 11. Number of Inpatient Admissions | 22,379 | 88 | 20,171 | 0 | 0 | 0 | 0 | 2,120 | 0 | |
| 12. Health Premiums Written (b) | 1,257,663,193 | 3,570,876 | 1, 176, 512, 355 | 0 | 0 | 0 | 0 | 77 ,579 ,962 | 0 | |
| 13. Life Premiums Direct | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 14. Property/Casualty Premiums Written | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 15. Health Premiums Earned | 1,256,590,502 | 3,567,657 | 1, 175, 451, 646 | 0 | 0 | 0 | 0 | 77 , 571 , 199 | 0 | |
| 16. Property/Casualty Premiums Earned | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 17. Amount Paid for Provision of Health Care Services | 1,124,221,373 | 5,837,815 | 1,055,181,479 | 0 | 0 | 0 | 0 | 63,202,079 | 0 | |
| 18. Amount Incurred for Provision of Health Care Services | 1,138,835,585 | 5,906,769 | 1,066,402,500 | 0 | 0 | 0 | 0 | 66,526,316 | 0 | |

(a) For health business: number of persons insured under PPO managed care products _____ and number of persons under indemnity only products _____ 0

(b) For health premiums written: amount of Medicare Title XVIII exempt from state taxes of fees \$ 77,579,962

Schedule S - Part 1 - Section 2 NONE

Schedule S - Part 2

NONE

1599999 Totals

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Priority Health

SCHEDULE S - PART 3 - SECTION 2

| | | | | SCHEDULL | | | | | | | | |
|---------|---|-------------------|----------------------------|---|--------------|---|--------------------|----------------------|--------------|----------------|-------------|-------------------|
| | | | Re | einsurance Ceded Accident and Health Insu | rance Listed | d by Reinsuring Cor | npany as of Decemb | er 31, Current Year | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | Outstanding | Surplus Relief | 12 | 13 |
| NAIC | _ | , | · | - | | • | | Reserve Credit | 10 | I 11 | Modified | |
| Company | Federal ID | | | | | | Unearned Premiums | Taken Other than for | | | Coinsurance | Funds Withheld |
| Code | Number | Effective Date | Name of Company | Location | Type | Premiums | | Unearned Premiums | Current Year | Prior Year | Reserve | Under Coinsurance |
| 92711 | 35-1817054 | 09/01/2008 | HCC Life Insurance Company | Kennesaw. GA | SSL/1/L | 1,072,692 | | | | | | |
| 0299999 | | | - Non-Affiliates | , | | 1,072,692 | | | | | | |
| | | d General Account | | | | 1,072,692 | | | | | | |
| | | | d General Account | | | 1,072,692 | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | • | | | • | | | | | | | |
| | • | • | | | • | • | | | | | | |
| | | • | | | • | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | • | | | ······ | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | + | | | | | | | |
| | | | | | | | | | | | | |
| | | • | | | | | | | | | | ••••• |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | ļ | | | | † | | | | | ļ | | |
| | | | | | ł | | | | | | | |
| | | | | | • | | | | | | | |
| | | • | | | • | | · | | | | | |

SCHEDULE S - PART 4

| | | | | | Reinsu | urance Ceded to U | nauthorized Compai | nies | | | | | |
|------------------------------|---------------------|------------------------|------------------------|------------------------------|--|-------------------|-----------------------------|------------------------|---------------------|--|-------------|------------------------------------|--|
| 1 NAIC Company Code | 2 Federal ID Number | 3 Effective Date | 4 Name of Reinsurer | 5 Reserve Credit Taken | 6 Paid and Unpaid Losses Recoverable (Debit) | 7 Other Debits | 8 Total (Cols. 5+6+7) | 9 Letters of Credit | 10 Trust Agreements | 11 Funds Deposited by and Withheld from Reinsurers | 12 Other | 13 Miscellaneous Balances (Credit) | 14 Sum of Cols 9+10+11+12+13 But Not in Excess of Col. 8 |
| ····· | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | † | | | · | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | † | | | • | | NE | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | ļ | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | ļ | | | | | | | | |
| | | t | | | † | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | † | | | ł | | | | | | | | |
| 1199999 | Total | | 1 | | | | | | | | | | |

Schedule S-Part 5 Five-Year Exhibit of Reinsurance Ceded Business (000 Omitted)

| | | O O O O | millea) | | | |
|------|---|----------------|-----------|-----------|-----------|-----------|
| | | 1 2008 | 2 2007 | 3 2006 | 4 2005 | 5 2004 |
| Α. (| DPERATIONS ITEMS | | | | | |
| 1. | Premiums | 1,064 | 888 | 1,837 | 691 | 1,056 |
| 2. | Title XVIII-Medicare | 9 | 7 | 0 | 0 | 0 |
| 3. | Title XIX-Medicaid | 0 | 0 | 0 | 0 | 0 |
| 4. | Commissions and reinsurance expense allowance | 0 | 0 | 0 | 0 | 0 |
| 5. | Total hospital and medical expenses | 1 , 138 | 1,686 | 1,131 | 156 | 161 |
| В. І | BALANCE SHEET ITEMS | | | | | |
| 6. | Premiums receivable | 0 | 0 | 0 | 0 | 0 |
| 7. | Claims payable | 0 | 0 | 0 | 0 | 0 |
| 8. | Reinsurance recoverable on paid losses | 0 | 0 | 357 | 0 | 0 |
| 9. | Experience rating refunds due or unpaid | 0 | 0 | 0 | 0 | 0 |
| 10. | Commissions and reinsurance expense allowances unpaid | 0 | 0 | 0 | 0 | 0 |
| 11. | Unauthorized reinsurance offset | 0 | 0 | 0 | 0 | 0 |
| | JNAUTHORIZED REINSURANCE (DEPOSITS BY AND FUNDS WITHHELD FROM) | | | | | |
| | Funds deposited by and withheld from (F) | | 0 | 0 | 0 | 0 |
| 13. | Letters of credit (L) | 0 | 0 | 0 | 0 | 0 |
| 14. | Trust agreements (T) | 0 | 0 | 0 | 0 | 0 |
| 15. | Other (O) | 0 | 0 | 0 | 0 | 0 |

SCHEDULE S-PART 6

Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

| | Restatement of Balance Sheet to Identify Net C | 1 | 2 | 3 |
|-----|---|----------------------------|----------------------------|---------------------------|
| | | As Reported (net of ceded) | Restatement Adjustments | Restated (gross of ceded) |
| | ASSETS (Page 2, Col. 3) | | | |
| 1. | Cash and invested assets (Line 10) | | 1,072,692 | 381,850,125 |
| 2. | Accident and health premiums due and unpaid (Line 13) | 12,237,880 | | 12,237,880 |
| 3. | Amounts recoverable from reinsurers (Line 14.1) | 0 | | 0 |
| 4. | Net credit for ceded reinsurance | xxx | (1,072,692) | (1,072,692) |
| 5. | All other admitted assets (Balance) | 9,701,281 | | 9,701,281 |
| 6. | Total assets (Line 26) | 402,716,594 | 0 | 402,716,594 |
| | LIABILITIES, CAPITAL AND SURPLUS (Page 3) | | | |
| 7. | Claims unpaid (Line 1) | 112,470,118 | 0 | 112,470,118 |
| 8. | Accrued medical incentive pool and bonus payments (Line 2) | 19,119,090 | | 19 , 119 , 090 |
| 9. | Premiums received in advance (Line 8) | 18,929,223 | | 18,929,223 |
| 10. | Funds held under reinsurance treaties with authorized and unauthorized reinsurers (Line 17) | 0 | | 0 |
| 11. | Reinsurance in unauthorized companies (Line 18) | 0 | | 0 |
| 12. | All other liabilities (Balance) | 31,076,700 | | 31,076,700 |
| 13. | Total liabilities (Line 22) | 181,595,131 | 0 | 181,595,131 |
| 14. | Total capital and surplus (Line 31) | 221,121,463 | XXX | 221,121,463 |
| 15. | Total liabilities, capital and surplus (Line 32) | 402,716,594 | 0 | 402,716,594 |
| | NET CREDIT FOR CEDED REINSURANCE | | | |
| 16. | Claims unpaid | 0 | | |
| 17. | Accrued medical incentive pool | 0 | | |
| 18. | Premiums received in advance | 0 | | |
| 19. | Reinsurance recoverable on paid losses | 0 | | |
| 20. | Other ceded reinsurance recoverables | (1,072,692) | | |
| 21. | Total ceded reinsurance recoverables | (1,072,692) | | |
| 22. | Premiums receivable | 0 | | |
| 23. | Funds held under reinsurance treaties with authorized and unauthorized reinsurers | 0 | | |
| 24. | Unauthorized reinsurance | 0 | | |
| 25. | Other ceded reinsurance payables/offsets | 0 | | |
| 26. | Total ceded reinsurance payables/offsets | 0 | | |
| 27. | Total net credit for ceded reinsurance | (1,072,692) | | |

SCHEDULE T – PART 2 INTERSTATE COMPACT – EXHIBIT OF PREMIUMS WRITTEN Allocated by States and Territories

| | | | | Direct Rue | iness Only | | |
|--|----|-------------------------|--------------------|---|---|-------------------|----------|
| | | 1 Life (Group and | 2 Annuities (Group | 3 Disability Income (Group and | 4 Long-Term Care (Group and | 5 Deposit-Type | 6 |
| States, Etc. | | Individual) | and Individual) | Individual) | Individual) | Contracts | Totals |
| 1. Alabama | AL | | | | | | |
| 2. Alaska | AK | | | | | | |
| 3. Arizona | AZ | | | | | | |
| 4. Arkansas | AR | | | | | | |
| 5. California | CA | | | | | | |
| 6. Colorado | CO | | | | | | |
| 7. Connecticut | CT | | | | | | |
| 8. Delaware | DE | | | | | | |
| District of Columbia | | | | | | | |
| | FL | | | | | | |
| | GA | | | | | | |
| 12. Hawaii | | | | | | | |
| | ID | | | | | | |
| 13. Idaho | | | | | | | |
| 14. Illinois | | } | · | | } | l | } |
| 15. Indiana | | | | | | | |
| 16. lowa | IA | | | | | | |
| 17. Kansas | KS | ł | - | | } | } | } |
| 18. Kentucky | | | | | | | |
| 19. Louisiana | | | | | | | |
| 20. Maine | ME | | | | | | |
| 21. Maryland | MD | | | | | | |
| 22. Massachusetts 23. Michigan 24. Minnesota | MA | | | | | | |
| 23. Michigan | MI | | | | | | |
| 24. Minnesota | MN | | | | | | |
| 25. Mississippi | | | | | | | |
| 26. Missouri | | | | | | | |
| 27. Montana | | | | | | | |
| 28. Nebraska | | | | | • | | |
| | | | | | | | |
| 29. Nevada | | | | | • | | |
| 30. New Hampshire | | | | | | | |
| 31. New Jersey | | | | | | | |
| 32. New Mexico | | | | | | | |
| 33. New York | | | | | | | |
| 34. North Carolina | | | | | | | |
| 35. North Dakota | ND | | | | | | |
| 36. Ohio | OH | | | | | | |
| 37. Oklahoma | OK | | | | | | |
| 38. Oregon | OR | | | | | | |
| 39. Pennsylvania | | | <u> </u> | | | | <u> </u> |
| 40. Rhode Island | | <u> </u> | | | L | | <u> </u> |
| 41. South Carolina | | | | | | | |
| | SD | | | • | | | |
| 43. Tennessee | TN | | | | | | |
| | TN | | | | | | |
| | | | - | | | l | ····· |
| 45. Utah | | | | | | | |
| 46. Vermont | VT | | | | | | |
| 47. Virginia | | · | - | | ···· | · | } |
| 48. Washington | | | | | | ···· | |
| 49. West Virginia | | | | | | | |
| 50. Wisconsin | | | | | | ļ | ļ |
| 51. Wyoming | | | | | | | |
| 52. American Samoa | AS | | | | | | |
| 53. Guam | | | | | | | [|
| 54. Puerto Rico | | | | | | | |
| 55. U.S. Virgin Islands | | | | | | | |
| • g | | | | • | | | |
| 56 Northern Mariana Islands | MD | | | | | | |
| | | | | | | | |
| 56. Northern Mariana Islands | CN | | | | | | |

SCHEDULE Y PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

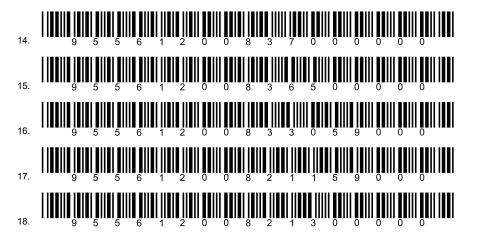
| | PART 2 - SUIVINART OF INSURER S TRANSACTIONS WITH ANT AFFILIATES | | | | | | | | | | | |
|-------------------------|--|--|-------------------------------|---|--|--|---|---|---------------------------------------|--|--------------|---|
| NAIC Company Code | 2 Federal ID Number | 3 Names of Insurers and Parent, Subsidiaries or Affiliates | 4 Shareholder Dividends | 5 Capital Contributions | 6 Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments | 7 Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s) | Agreements and Service Contracts | Income/ (Disbursements) Incurred Under Reinsurance Agreements | 10 | Any Other Material Activity Not in the Ordinary Course of the Insurer's Business | 12 Totals | Reinsurance Recoverable/ (Payable) on Losse: and/or Reserve Credit Taken/(Liability) |
| 12208 | . 20 - 1529553 . 38 - 3085182 . 38 - 2715520 | Priority Health Insurance Company. Priority Health Managed Benefits. Priority Health. Priority Health Government Programs. Spectrum Health System. | | 4,000,000 | | | (3,403,062) 103,516,039 | - | | | 596,938 | |
| | 38 - 3085 182 | Priority Health Managed Benefits | | | | | 103,516,039 | | | • | 103,516,039 | |
| 95561 | 38-2715520 | Priority Health | | (4,000,000) | | | (89.010.610) | | | 10,000,000 | (83.010.610) | |
| 11520 | 32-0016523 | Priority Health Government Programs | | , , , , | | | (11, 102, 367) | | | | (11.102.367) | |
| | 38-3382353 | Spectrum Health System | | | | | (, , , , | | | (10,000,000) | (10,000,000) | |
| | | 7 | | | | | | | | (- , , , | (- , , , | |
| | | | | | | | | | | | | |
| | | | | | | | | | Ī | | | |
| | | | | | | | | | | | | |
| | | | | | 1 | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | • | | | | | • | | |
| | | | | | | | | | | • | | |
| | | | | | | | | | · · · · · · · · · · · · · · · · · · · | | | |
| | | | | | | | | | · · · · · · · · · · · · · · · · · · · | • | | |
| | | | | • | | • | • | | · · · · · · · · · · · · · · · · · · · | • | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | ł | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | • | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | • | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | l | | | | L | | | |
| | | | | | | | | | L | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | Ī | | | |
| | | | | | 1 | | | | | | | |
| | | | | | † | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| 9999999 | Control Totals | | 0 | 0 | 0 | 0 | 0 | 0 | XXX | 0 | 0 | 0 |

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

| | MARCH FILING | Responses |
|----------------------------------|--|-------------------------------|
| 1. | Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1? | YES. |
| 2. | Will an actuarial opinion be filed by March 1? | YES. |
| 3. | Will the confidential Risk-based Capital Report be filed with the NAIC by March 1? | YES. |
| 4. | Will the confidential Risk-based Capital Report be filed with the state of domicile, if required by March 1? | YES |
| | APRIL FILING | |
| 5. | Will Management's Discussion and Analysis be filed by April 1? | YES. |
| 6. | Will the Supplemental Investment Risks Interrogatories be filed by April 1? | YES. |
| 7. | Will the Accident and Health Policy Experience Exhibit be filed by April 1? | YES |
| | JUNE FILING | |
| 8. | Will an audited financial report be filed by June 1? | YES |
| which t | llowing supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code ment is required of your company but is not filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interro | will be printed below. If the |
| | MARCH FILING | |
| 9. | Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1? | NO |
| 10. | Will the Supplemental Life data due March 1 be filed with the state of domicile and the NAIC? | NO |
| 11. | | N0 |
| 12. | Will the Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1? | N0 |
| 13. | Will the actuarial opinion on participating and non-participating policies as required in Interrogatories 1 and 2 on Exhibit 5 to Life Supplement be filed with the state of domicile and electronically with the NAIC by March 1? | NO |
| 14. | domicile and electronically with the NAIC by March 1? | NO |
| 15. | Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1? | N0 |
| | APRIL FILING | |
| 16. | | NO |
| 17. | | NO |
| 18. | Will the Supplemental Property/Casualty Insurance Expense Exhibit due April 1 be filed with any state that requires it, and, if so, the NAIC? | NO |
| 111. 12. 13. 14. 15. | | |
| | CODE: | |
| 9. | | |
| 10. | | |
| 11. | | |
| 12. | | |
| 13. | | |

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES



OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX (http://www.naic.org/committees_e_app_blanks.htm)

ANNUAL STATEMENT BLANK

| Exhibit of Nonadmitted Assets | 16 |
|--|------|
| Analysis of Operations By Lines of Business | 7 |
| Assets | 2 |
| Cash Flow | 6 |
| Exhibit 1 – Enrollment By Product Type for Health Business Only | 17 |
| Exhibit 2 – Accident and Health Premiums Due and Unpaid | 18 |
| Exhibit 3 – Health Care Receivables | 19 |
| Exhibit 4 – Claims Unpaid and Incentive Pool, Withhold and Bonus | 20 |
| Exhibit 5 – Amounts Due From Parent, Subsidiaries and Affiliates | 21 |
| Exhibit 6 – Amounts Due To Parent, Subsidiaries and Affiliates | 22 |
| Exhibit 7 – Part 1 – Summary of Transactions With Providers | 23 |
| Exhibit 7 – Part 2 – Summary of Transactions With Intermediaries | 23 |
| Exhibit 8 – Furniture, Equipment and Supplies Owned | 24 |
| Exhibit of Capital Gains (Losses) | 15 |
| Exhibit of Net Investment Income | 15 |
| Exhibit of Premiums, Enrollment and Utilization (State Page) | 29 |
| Five-Year Historical Data | 28 |
| General Interrogatories | 26 |
| Jurat Page | 1 |
| Liabilities, Capital and Surplus | 3 |
| Notes To Financial Statements | 25 |
| Overflow Page For Write-ins | 41 |
| Schedule A – Part 1 | E01 |
| Schedule A – Part 2 | E02 |
| Schedule A – Part 3 | E03 |
| Schedule A – Verification Between Years | SI02 |
| Schedule B – Part 1 | E04 |
| Schedule B – Part 2 | E05 |
| Schedule B – Part 3 | E06 |
| Schedule B – Verification Between Years | SI02 |
| Schedule BA – Part 1 | E07 |
| Schedule BA – Part 2 | E08 |
| Schedule BA – Part 3 | E09 |
| Schedule BA – Verification Between Years | SI03 |
| Schedule D – Part 1 | E10 |
| Schedule D – Part 1A – Section 1 | SI05 |

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

| Schedule D – Part 1A – Section 2 | SI08 |
|---|------|
| Schedule D – Part 2 – Section 1 | E11 |
| Schedule D – Part 2 – Section 2 | E12 |
| Schedule D – Part 3 | E13 |
| Schedule D – Part 4 | E14 |
| Schedule D – Part 5 | E15 |
| Schedule D – Part 6 – Section 1 | E16 |
| Schedule D – Part 6 – Section 2 | E16 |
| Schedule D – Summary By Country | SI04 |
| Schedule D – Verification Between Years | SI03 |
| Schedule DA – Part 1 | E17 |
| Schedule DA – Part 2 – Verification Between Years | SI11 |
| Schedule DB – Part A – Section 1 | E18 |
| Schedule DB – Part A – Section 2 | E18 |
| Schedule DB – Part A – Section 3 | E19 |
| Schedule DB – Part A – Verification Between Years | SI12 |
| Schedule DB – Part B – Section 1 | E19 |
| Schedule DB – Part B – Section 2 | E20 |
| Schedule DB – Part B – Section 3 | E20 |
| Schedule DB – Part B – Verification Between Years | SI12 |
| Schedule DB – Part C – Section 1 | E21 |
| Schedule DB – Part C – Section 2 | E21 |
| Schedule DB – Part C – Section 3 | E22 |
| Schedule DB – Part C – Verification Between Years | SI13 |
| Schedule DB – Part D – Section 1 | E22 |
| Schedule DB – Part D – Section 2 | E23 |
| Schedule DB – Part D – Section 3 | E23 |
| Schedule DB – Part D – Verification Between Years | SI13 |
| Schedule DB – Part E – Section 1 | E24 |
| Schedule DB – Part E – Verification | SI13 |
| Schedule DB – Part F – Section 1 | SI14 |
| Schedule DB – Part F – Section 2 | SI15 |
| Schedule E – Part 1 – Cash | E25 |
| Schedule E – Part 2 – Cash Equivalents | E26 |
| Schedule E – Part 3 – Special Deposits | E27 |
| Schedule E – Verification | SI16 |
| Schedule S – Part 1 – Section 2 | 30 |
| Schedule S – Part 2 | 31 |
| Schedule S – Part 3 – Section 2 | 32 |
| Schedule S – Part 4 | 33 |
| Schedule S – Part 5 | 34 |
| Schedule S – Part 6 | 35 |
| Schedule T – Part 2 – Interstate Compact | 37 |

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

| Schedule T – Premiums and Other Considerations | 36 |
|--|------|
| Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group | 38 |
| Schedule Y - Part 2 – Summary of Insurer's Transactions With Any Affiliates | 39 |
| Statement of Revenue and Expenses | 4 |
| Summary Investment Schedule | SI01 |
| Supplemental Exhibits and Schedules Interrogatories | 40 |
| Underwriting and Investment Exhibit – Part 1 | 8 |
| Underwriting and Investment Exhibit – Part 2 | 9 |
| Underwriting and Investment Exhibit – Part 2A | 10 |
| Underwriting and Investment Exhibit – Part 2B | 11 |
| Underwriting and Investment Exhibit – Part 2C | 12 |
| Underwriting and Investment Exhibit – Part 2D | 13 |
| Underwriting and Investment Exhibit – Part 3 | 14 |